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SUBJ: CANADA AND COLOMBIA CONCLUDE FTA TALKS

SUMMARY/INTRODUCTION

¶1. Canada announced on June 7 that it had concluded free trade negotiations with Colombia, including agreements on labor and environmental issues. While the anticipated FTA has been subjected to hearings in Canada's Parliament, and specific industries (notably sugar refiners) and unions have expressed opposition, the agreement has not received widespread attention in Canada and it appears likely to be implemented.

¶2. Canada signed similar agreements with Peru on May 29. From 1994 to 2002 Canada implemented free trade agreements with a number of Western Hemisphere countries including the United States, Mexico, Chile and Costa Rica. FTA discussions with a number of smaller economies (Dominican Republic, Honduras, Guatemala, El Salvador, Nicaragua, CARICOM, Panama) are in various stages of progress. In pursuing FTAs, Canada pays close attention to U.S. trade negotiations to ensure that Canadian exporters are not put at a comparative disadvantage relative to their U.S.-based competitors.
END SUMMARY/INTRODUCTION.

¶3. Canada's news release and backgrounder are available at <http://www.international.gc.ca>.

¶4. ORIGINS: Canada's FTAs with Peru and Colombia had their beginnings in preliminary talks in 2002 with members of the Andean community (Peru, Colombia, Venezuela, Ecuador and Bolivia). As was also true of Canada's discussions with Central American and Caribbean countries, some trading partners were more prepared than others to pursue an FTA. In July 2007, during a tour of Latin America, Prime Minister Stephen Harper announced free trade negotiations with Colombia and Peru. Negotiations with Peru concluded in January and a bilateral FTA (with environmental and labor agreements) was signed on May 29 on the margins of the APEC ministerial. Negotiations with Colombia took somewhat longer; the successful conclusion was announced on June 7 at the end of a fifth negotiating round in Bogota.

¶5. SENSITIVITIES AND CRITICS: Private sector contacts say that Canada's main sensitivities in the Colombia FTA talks involved refined sugar (sugar refiners in western Canada were said to be angling for trade adjustment assistance) and cut flowers. Some interest groups in Canada, notably labor unions, raised concerns about labor and environment standards. In addition, some argued that the FTA should be linked to (or abandoned because of) the Colombian government's human rights record. A number of trade and industry groups, however, argued that conditions are improving in Colombia and that an FTA can contribute to the reform process.

Foreign Affairs Minister Emerson said that the agreements "will help solidify ongoing efforts by the Government of Colombia to create a more prosperous, equitable and secure democracy."

¶6. TRADE IMPACT: Canada already has considerable trade and investment links with Colombia and Peru. Last year two-way Canada-Colombia merchandise trade amounted to C\$1.14 billion; in the case of Peru, it totaled C\$2.45 billion. Canada's direct investment stock in Colombia totaled C\$739 million in 2007. In Peru, it was estimated at almost C\$1.8 billion.

¶7. REFERENCE TO U.S.-COLOMBIA FTA: While Canada's economic relations with most Latin American countries are proportionally much smaller than those of the United States, Canada attempts to match Qsmaller than those of the United States, Canada attempts to match the U.S. in terms of market access. Despite the small trade relationships, Canadian trade officials and businesses believe trade talks foster new diplomatic/commercial relationships and help countries build their capacity for anticipated negotiations with the United States.

¶8. Groups both for and against the Canada-Colombia FTA often referred to the status of the U.S.-Colombia FTA. Business groups downplayed its opposition in Congress and argued that strengthening relations with Colombia encourages reforms; that the U.S.-Colombia FTA is "only a matter of time;" and that Canada should conclude a deal quickly to "gain first-mover advantage." FTA opponents, on the other hand, suggested that the U.S. Congress has well-justified reservations about Colombia's human rights record, labor and environmental standards, and readiness to engage as a trade partner.

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¶9. NEXT STEPS: According to the Canadian government, the next step is a legal review of the FTA negotiated texts. (Canada concludes international agreements in both English and French, with both versions being equally valid. In the case of Colombia and Peru, the agreements are also in Spanish). Following the legal review, the agreements will be signed by Canada and Colombia (perhaps in mid-summer), released to the public, and "proceed to each country's respective legislative bodies for ratification."

¶10. Strictly speaking, Canada does not have a ratification process. The present Canadian government has recently introduced a step whereby international agreements are tabled in the House of Commons for a period of 21 sitting days. During that time, members of parliament will be able to review, debate, vote on a motion, or send the agreements to committee for further review. Given that Parliament is due to rise for the summer in the second half of June, this requirement will have the effect of delaying the introduction of implementing legislation in Parliament until the fall session. In the case of the trade, labor, and environment agreements with Peru, the government hopes to introduce legislation to allow them to enter into force by January 1, 2009.

WILKINS